ALAMEDA ALLIANCE FOR HEALTH
FINANCE COMMITTEE
REGULAR MEETING

April 11th, 2023
8:00 am – 9:00 am

SUMMARY OF PROCEEDINGS

Meeting Conducted in-person and by Teleconference.

Committee Members in-person: Dr. Rollington Ferguson, Dr. Michael Marchiano, Gil Riojas

Board of Governor members on Conference Call: James Jackson, Yeon Park

Alliance Staff in-person and on Conference Call: Scott Coffin, Tiffany Cheang, Richard Golfin III, Sasi Karaiyan, Dr. Steve O'Brien, Anastacia Swift, Lao Paul Vang, Ruth Watson, Matt Woodruff, Shulin Lin, Carol van Oosterwijk, Linda Ly, Brenda Martinez, Renan Ramirez, Danube Serri, James Zhong Xu, Christine Corpus

Chair Gebhart called the regular Board of Governors meeting to order at 12:03 p.m.

CALL TO ORDER, ROLL CALL, AND INTRODUCTIONS

Dr. Ferguson called the Finance Committee meeting to order at 8:00 am. A Roll Call was then conducted.

Dr. Ferguson welcomed Matt Woodruff as the new incoming CEO.

CONSENT CALENDAR

Dr. Ferguson presented the Consent Calendar.

The March 7th, 2023, Finance Committee Minutes were approved at the Board of Governors meeting on March 10th, 2023, and not presented today.

There were no modifications to the Consent Calendar, and no items to approve.

a.) CEO UPDATE

Scott Coffin provided updates to the committee on the following:

Operating Metrics – It will be reported on Friday at the Board of Governors meeting that our operating metrics and regulatory metrics are tracking very favorable. We do not have any metrics that are outside of regulatory compliance. I would like to highlight that we have not only set enrollment records each month over the last three years, but most recently we set a record in our call Center for Member Services. They handled over 20,000 phone calls in the month of March. It seems reflective of the changes in the Medi-Cal program, the questions that people have, and the movement of individuals from Medi-Cal fee-for-service into medical managed care. In addition to this upcoming continuous coverage initiative where with the public health emergency ending, we've been reporting to the committee and to the board about. A presentation is going to be made by Matt Woodruff on Friday at the board meeting on the efforts we're taking to minimize this impact and how we're coordinating with the state of California and the Alameda County agencies to get the word out and make sure that people have answers to their questions about continuous coverage and what redetermination means.

Justice-Involved Pilot – We are exploring right now the launch of this new pilot. This is targeted to launch by July 1st, and it spans from July all the way through March 31st of 2024. This pilot is intended to prepare the local justice system for integration into the Medi-Cal Managed Care program, which takes effect on April 1st of 2024. This is a partial year pilot that is being proposed through the fiscal year 2024 budget. The pilot will target post-release services for formerly incarcerated adults coming out of the Santa Rita jail and coordinate the physical health, the mental health, any substance use treatments, housing, workforce development, and other social services. It is an especially important part of what will be rolled out in April 2024 statewide. As we look at connecting prerelease services and post release services together. We do not have final totals for the cost for the program but anticipate that it could be as high as $1,000,000 for the investment in these services and it would be a partnership between Alameda Alliance, Roots, and Alameda County, which includes Probation, the Sheriff's Office, and other Health Care service and Social Services agencies, to coordinate these post release services.

Fiscal Year 2024 Preliminary Budget – Budget planning is underway and we are tracking on schedule to deliver in the month of June.

Mental Health and Autism Spectrum Services – The contract with Beacon health options terminated on March 31st, 2023, and on April 1st, 2023, Alameda Alliance assumed full responsibility for the administration of mental health and autism spectrum services. We are now accepting and managing all requests, administering the provider networks, and supporting all the Members that need treatment in both the mild and moderate services as well as autism spectrum services. We are in the first phase of this initiative. It's going to take about four months for the first phase to complete. The focus on this initial phase was to ensure continuity of coverage for all members receiving services. We are currently two weeks in, and we are tracking the progress. We will have a report to the full board on Friday.

Kaiser – The direct contract between the State and Kaiser Permanente takes effect on January 1st of 2024. This has a potential impact on our membership of approximately 50,000 of our adults and children that are currently enrolled with Kaiser through Alameda Alliance. As we proceed forward in the operational readiness work with the state of California and also with Kaiser, we will be sharing the potential financial impact to the Finance Committee and the Board. One thing to keep in mind is also effective on January 1st, 2024, is the single plan model implementation and that is where in Alameda County we go from two Medi-Cal Managed Care health plan options to one. Alameda Alliance will be the prime and then those who qualify for Kaiser will be enrolled with Kaiser if they so choose.

Medicare – This is a follow up to the results that the Board of Governors and Finance Committee reviewed earlier in the year. This was pertaining to the expansion into the dual eligible special needs plan. The Vendor Management team, through a selection committee, has identified a vendor and we are going to be proceeding forward with operational readiness planning. The intention of this assessment is to identify the expected costs for the organization to transition into the Medicare product line. It has all the details associated with the startup costs and the recurring monthly costs, as well as any investments in technology or replacement of technology that we may need to make, this is being combined with the original actuary forecast, which showed a 5-year profit and loss pro forma. This assessment reflects the startup costs, which we didn't cover in our first initial phase of the evaluation work.

Question: Dr. Ferguson asked for clarification on the potential cost for the Justice Pilot, specifically if that would be the total overall cost, or the Alliance's share. Scott answered that there is not any cost splitting, and that would reflect the total cost to the Alliance.

b.) REVIEW AND APPROVE FEBRUARY 2023 MONTHLY FINANCIAL STATEMENTS

February 2023 Financial Statement Summary

Enrollment:

Enrollment has increased by 22,235 members since January 2023, and 38,993 members since June 2022 bringing our Total Enrollment to 352,049. This is a significant increase that includes the transition of beneficiaries from Medi-Cal Fee-For-Service (FFS) into Managed Care which included a significant portion of Duals and Long-Term Care (LTC) members that we anticipated to in January.

We see consistent increases in the Child, Adult, and Optional Expansion categories of aid, however for the month of February, our largest increases were in our SPDs, due to the Long-Term Care transition, and as stated above, in the Duals, due to the FFS transition to Managed Care. Our Group Care line of business continues to decline, and while not significant, it is a steady decline. Last month we added two new categories of aid pertaining to Long-Term Care: Medi-Cal LTC, and Medi-Cal LTC Duals, and we saw increases in both of those new categories.

We will continue to see the enrollment increase until the County starts the disenrollment process beginning in July of this year, when we will start to see a decrease in enrollment. With us switching to a Single Plan Model there are some shifts that will happen over the next 12-18 months.

Net Income:

For the month ending February 28th, 2023, the Alliance reported a Net Income of $14.3 million (versus budgeted Net Income of $7.5 million). The favorable variance is attributed to slightly lower than anticipated Administrative Expenses, lower than anticipated Medical Expense, and higher than anticipated Total Other Income, minimally offset by lower than anticipated Revenue. For the year-to-date, the Alliance recorded a Net Income of $54.6 million versus a budgeted Net Income of $21.4 million.

Revenue:

For the month ending February 28th, 2023, actual Revenue was $135.3 million vs. our budgeted amount of $136.9 million. Historically, our typical Revenue was averaging around $110 million, however, due to the increase in enrollment, we expect our average Revenue to be around $135 million or higher until the disenrollment process starts. Our actual year-to-date Revenue is currently at $832.0 million and we anticipate going over the $1 billion mark by April.

Medical Expense:

Actual Medical Expenses for the month were $116.4 million, vs. our budgeted amount of $122.2 million. For the year-to-date, actual Medical Expenses were $789.2 million versus budgeted $832.0 million. Drivers leading to the favorable variance can be seen on the tables on pages 11 and 12, with further explanation on pages 12 and 13.

Question: Dr. Ferguson asked if we have the breakdown for the increase in hospitalizations, and are they due to SNFs or other hospitalizations? Gil answered that the breakdown is not illustrated in the table, however, the chart does now show Long Term Care FFS and that includes some SNF data. Dr. O'Brien added that we have seen an increase in our SNF population, as people in Long-Term Care end up in SNF and then back to LTC, but also the rate of hospitalization for those in LTC is quite high as indicated by the higher than anticipated bed-hold that we have for those people.

Medical Loss Ratio:

Our MLR ratio for this month was reported at 86.0%. Year-to-date MLR was at 89.4%.

Administrative Expense:

Actual Administrative Expenses for the month ending February 28th, 2023 were $6.3 million vs. our budgeted amount of $7.3 million. Our Administrative Loss Ratio (ALR) is 4.6% of our Revenue for the month, and 5.2% of Net Revenue for year-to-date. Gil called out the variance in Employee Expenses for the month of February. The variance is usually favorable, however, due to the acceleration of hiring of new employees we show a small negative variance for the month. The year-to-date favorable variances include 1) Delayed timing of new project start dates for Consultants, Computer Support Services, and Purchased Services, and 2) Overall delayed hiring of new employees.

Other Income / (Expense):

As of February 28th, 2023, our YTD interest income from investments show a gain of $7.2 million. This is an increase of about $1.8 million over previous months and is attributed to our ability to take advantage of short term interest rates. This has boosted our gain over previous years and is a contibutor to our YTD Net Income.

YTD claims interest expense is $210,000.

TangibleNet Equity (TNE):

We reported a TNE of 716%, with an excess of $245.4 million. We continue to see a relatively consistent growth in our reserves, which will be important with the many changes coming in the coming months.

Cash and Cash Equivalents:

We reported $382.6 million in cash; $266.0 million is uncommitted. Our current ratio is above the minimum required at 1.78 compared to regulatory minimum of 1.0.

Capital Investments:

We have spent $214,000 in Capital Assets year-to-date. Our annual capital budget is $979,000. We do not anticipate spending the entirety of our capital investment budget this year, but we do anticipate spending more before the end of June.

Question: Dr. Ferguson asked if we might be overbudgeting in our Capital Investments category. Gil answered during the budget development process, we sit with each department that has capital assets and plan with them where their expenses are anticipated to be for the next year, however there may be things happen throughout the year that either require us to spend the money differently, or we just don't spend what we thought we would need. He further added that historically we have been under budget for capital assets. He reminded the committee that because the funds are budgeted for assets, it all ends up favorable to our bottom line even if we don't spend it all, however it is our goal to budget as close as possible to our actual needs.

Question: Dr. Ferguson asked if there is a process in place for giving our current members a choice to remain with the Alliance as a member or to keep their existing plan with Kaiser. Matt Woodruff answered that members will have the ability to stay with the Alliance, or to choose Kaiser if they are eligible (*to be eligible for Kaiser through Medi-Cal, the member would have to have had Kaiser coverage within the previous six months). This decision for the members typically comes down to access to their preferred doctor.

Motion: A motion was made by James Jackson and seconded by Dr. Michael Marchiano to accept the February 2023 Financial Statements.

Motion Passed

No opposed or abstained.

UNFINISHED BUSINESS

Dr. Ferguson asked with the PHE now ended, what the plan is for physical office space. Is there an anticipated return to office for all staff and would we have enough physical space to accommodate them. Confirming that the lease for 1320 S. Loop ends sometime in 2025, do we have a plan in place, or are we actively reviewing what our needs will be? Scott offered that the lease for 1320 does end in 2025, and that we own the headquarter building without debt. Our intent is to remain in the 1320 S. Loop building until the end of the lease. Scott then offered that Matt Woodruff would have more to contribute to the conversation as the incoming CEO. Matt answered that the lease for the other building ends on May 31st, 2025, and as his plan is to allow most employees to remain remote as long as we continue to meet our performance metrics, we have more than enough space with the two buildings. He also suggested that we may want to look at possibly moving off of the island altogether due to certain technological limitations presented by only having one internet cable that feeds the island and the potential of that being severed again. He added that if we wanted to reduce to one building when the lease expires, we would need to have discussions regarding space and booking policies within the office for coming onsite as we add more employees.

ADJOURNMENT

Dr. Ferguson adjourned the meeting at 8:41 a.m.

Respectfully Submitted by:
Christine Corpus, Executive Assistant to CFO